

CITY OF GEORGE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

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CITY OF GEORGE, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Nichols	Mayor	12/31/11
Ande Bruinsma	Council Members	12/31/11
Kary Conaway	Council Members	12/31/11
Angie McConnell	Council Members	12/31/11
Gerald Grave, Jr.	Council Members	12/31/13
Russ Hopp	Council Members	12/31/13
Laurie Koerselman	Clerk/Treasurer	Indefinite
Daniel DeKoter	Attorney	Indefinite
Wanda Parker	Library Board President	Indefinite
Ardyce Huff	Library Board Member	Indefinite
Mary Beth Lane	Library Board Member	Indefinite
Lavina Lichtenberg	Library Board Member	Indefinite
Jim Cuttell	Evergreen Lawn Cemetery Board Member	Indefinite
BJ Gerken	Evergreen Lawn Cemetery Board Member	Indefinite
John Gerken	Evergreen Lawn Cemetery Board Member	Indefinite
Paul Altena	Evergreen Lawn Cemetery Board Member	Indefinite
Mike Bathke	Evergreen Lawn Cemetery Board Member	Indefinite
Dwight Shaffer	Evergreen Lawn Cemetery Board Member	Indefinite



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of George, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of George, Iowa, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We were unable to verify the beginning individual fund balances because as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. We are unable to satisfy ourselves of the beginning individual fund balances by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the beginning individual fund balances, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010 on our consideration of the City of George, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. The City of George. has not presented management's discussion and analysis but has presented budgetary comparison information on pages 17-19 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams & Company, P.C

Certified Public Accountants

Spencer, Iowa
December 15, 2010

**CITY OF GEORGE, IOWA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

CITY OF GEORGE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental Activities:				
Public Safety	\$ 288,069	\$ -	\$ 190,110	\$ -
Public Works	172,931	1,909	97,493	-
Culture and Recreation	173,346	18,055	20,501	13,388
Community & Economic Development	34,555	-	2,577	-
General Government	95,662	1,600	250	-
Debt Service	339,731	-	-	-
Capital Projects	87,944	-	-	71,754
Total Governmental Activities	1,192,238	21,564	310,931	85,142
Business-Type Activities:				
Water	130,134	114,060	-	-
Sewer	116,063	100,552	-	-
Garbage	60,065	62,260	-	-
Recycle	1,243	6,023	-	-
Total Business-Type Activities	307,505	282,895	-	-
Total	\$ 1,499,743	\$ 304,459	\$ 310,931	\$ 85,142

General Receipts:

Property and Other City Tax Levied for:
General Purpose
Debt Service
Local Option Sales Tax
Tax Increment Financing
Unrestricted Interest on Investments
Bond Proceeds
Miscellaneous
Sale of Assets
Transfers

Total General Receipts

Change in Cash Basis Net Assets

Cash Basis Net Assets Beginning of Year

Cash Basis Net Assets End of Year

Cash Basis Net Assets

Restricted:

Streets
Debt Service
Other Purposes

Unrestricted

Total Cash Basis Net Assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (97,959)	\$ -	\$ (97,959)
(73,529)	-	(73,529)
(121,402)	-	(121,402)
(31,978)	-	(31,978)
(93,812)	-	(93,812)
(339,731)	-	(339,731)
(16,190)	-	(16,190)
(774,601)	-	(774,601)
-	(16,074)	(16,074)
-	(15,511)	(15,511)
-	2,195	2,195
-	4,780	4,780
-	(24,610)	(24,610)
(774,601)	(24,610)	(799,211)
221,253	-	221,253
47,944	-	47,944
70,653	-	70,653
22,539	-	22,539
11,723	3,527	15,250
308,166	-	308,166
20,629	10,986	31,615
29,052	-	29,052
(11,901)	11,901	-
720,058	26,414	746,472
(54,543)	1,804	(52,739)
605,997	186,730	792,727
\$ 551,454	\$ 188,534	\$ 739,988
\$ 21,659	\$ -	\$ 21,659
2,972	-	2,972
249,591	-	249,591
277,232	188,534	465,766
\$ 551,454	\$ 188,534	\$ 739,988

CITY OF GEORGE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue			
	Local Option			
	General	Sales Tax	Nonmajor	Total
Receipts:				
Property tax	\$ 200,077	\$ -	\$ 69,120	\$ 269,197
Tax Increment Financing	-	-	22,539	22,539
Other City Tax	-	70,653	-	70,653
Licenses and Permits	3,509	-	-	3,509
Use of Money and Property	14,470	1,506	632	16,608
Intergovernmental	204,736	-	97,493	302,229
Charges for Service	13,170	-	-	13,170
Special Assessments	1,108	-	-	1,108
Miscellaneous	39,134	-	74,231	113,365
Total Receipts	<u>476,204</u>	<u>72,159</u>	<u>264,015</u>	<u>812,378</u>
Disbursements:				
Operating:				
Public Safety	287,995	-	74	288,069
Public Works	61,519	5,442	105,970	172,931
Culture and Recreation	158,295	-	15,051	173,346
Community & Economic Development	30,130	-	4,425	34,555
General Government	87,058	4,597	4,007	95,662
Debt Service	-	-	339,731	339,731
Capital Projects	-	-	87,944	87,944
Total Disbursements	<u>624,997</u>	<u>10,039</u>	<u>557,202</u>	<u>1,192,238</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(148,793)	62,120	(293,187)	(379,860)
Other Financing Sources (Uses)				
Debt Proceeds	308,166	-	-	308,166
Sale of Capital Assets	29,052	-	-	29,052
Operating Transfers In	4,500	-	291,575	296,075
Operating Transfers Out	(288,075)	-	(19,901)	(307,976)
Total Other Financing Sources (Uses)	<u>53,643</u>	<u>-</u>	<u>271,674</u>	<u>325,317</u>
Net Change in Cash Balances	(95,150)	62,120	(21,513)	(54,543)
Cash Balances Beginning of Year	<u>372,382</u>	<u>137,785</u>	<u>95,830</u>	<u>605,997</u>
Cash Balances End of Year	<u>277,232</u>	<u>199,905</u>	<u>74,317</u>	<u>551,454</u>
Cash Basis Fund Balance				
Reserved for Debt Service	-	-	2,972	2,972
Unreserved:				
General Fund	277,232	-	-	277,232
Special Revenue Funds	-	199,905	61,775	261,680
Capital Project Fund	-	-	9,570	9,570
Total Cash Basis Fund Balance	<u>\$ 277,232</u>	<u>\$ 199,905</u>	<u>\$ 74,317</u>	<u>\$ 551,454</u>

CITY OF GEORGE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise			Total
	Water	Sewer	Nonmajor	
Operating Receipts:				
Use of Money and Property	\$ 3,090	\$ 282	\$ 155	\$ 3,527
Charges for Service	114,060	100,552	68,283	282,895
Miscellaneous	7,528	3,458	-	10,986
Total Operating Receipts	<u>124,678</u>	<u>104,292</u>	<u>68,438</u>	<u>297,408</u>
Operating Disbursements:				
Business-Type Activities	<u>130,134</u>	<u>116,063</u>	<u>61,308</u>	<u>307,505</u>
Total Operating Disbursements	<u>130,134</u>	<u>116,063</u>	<u>61,308</u>	<u>307,505</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(5,456)</u>	<u>(11,771)</u>	<u>7,130</u>	<u>(10,097)</u>
Other Financing Sources (Uses)				
Operating Transfers In	14,950	9,951	-	24,901
Operating Transfers Out	(8,500)	-	(4,500)	(13,000)
Total Other Financing Sources (Uses)	<u>6,450</u>	<u>9,951</u>	<u>(4,500)</u>	<u>11,901</u>
Net Change in Cash Balances	994	(1,820)	2,630	1,804
Cash Balances Beginning of Year	<u>161,650</u>	<u>5,355</u>	<u>19,725</u>	<u>186,730</u>
Cash Balances End of Year	<u>\$ 162,644</u>	<u>\$ 3,535</u>	<u>\$ 22,355</u>	<u>\$ 188,534</u>

**CITY OF GEORGE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
AGENCY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Additions:

Use of Money and Property	\$ 4,137
Miscellaneous	8,865
Total Additions	<u>13,002</u>

Deductions:

Culture and Recreation	<u>9,019</u>
Total Deductions	<u>9,019</u>

Net Change in Cash Balances	3,983
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Cash Balances Beginning of Year	<u>64,468</u>
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Cash Balances End of Year	<u><u>\$ 68,451</u></u>
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CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The City of George, Iowa, is a political subdivision of the State of Iowa, located in Lyon County. It was first incorporated in 1887, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The city also provides water, sewer, garbage and recycling utilities for its citizens.

Reporting Entity -- For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Related Organization – The George Fire Fighters Association and George Emergency Medical Services are considered related organizations. Although the City of George approves a voting majority to the organizations' governing boards, it is not financially accountable to these Organizations (because it does not impose will or have a financial benefit or burden relationship). George Bicentennial Museum is also considered a related organization. Although the City of George appoints a voting majority to the organizations' governing board, it is not financially accountable to this Organization (because it does not impose will or have a financial benefit or burden relationship).

Jointly Governed Organizations -- The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Joint E911 Service Board, Lyon County Emergency Management Commission, the Northwest Area Iowa Solid Waste Agency, the Lyon County Economic Development Board, the Lyon County Economic Development Consortium, and the Hazardous Material Response Commission (HAZMAT).

Joint Venture — The City is a participant with Wheeler Township in a joint venture to maintain and operate Evergreen Lawn Cemetery. Evergreen Lawn Cemetery is governed by a six-member board composed of three appointees from the City and three from the Township. The City has an ongoing financial responsibility to Evergreen Lawn Cemetery. The City has a financial responsibility to provide funding to the Cemetery for the Cemetery's continued existence. The funding is in the form of cash, manpower, and equipment usage. The amount of cash expended by the City for the Cemetery amounted to \$5,000 for the fiscal year. The Cemetery's financial information is included in this audit report, as the City holds the Cemetery's assets in a trustee capacity.

CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements -- The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a certain extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated separately and reported as nonmajor governmental or nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for community betterment.

**CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of George maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development, debt service functions, and business type enterprises.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 – CASH AND POOLED INVESTMENTS (Continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 –NOTES PAYABLE

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Notes:					
2007 Street Construction Loan	\$ 364,250	\$ -	\$ 33,000	\$ 331,250	\$ 38,000
2009 Fire Truck Note	73,100	167,341	240,441	-	-
2009 Fire Truck Note	-	140,825	45,137	95,688	13,550
	<u>437,350</u>	<u>308,166</u>	<u>318,578</u>	<u>426,938</u>	<u>51,550</u>
Revenue Notes					
2006 Sewer Revenue Capital Loan Note	909,000	-	39,000	870,000	40,000
Total	<u>\$ 1,346,350</u>	<u>\$ 308,166</u>	<u>\$ 357,578</u>	<u>\$ 1,296,938</u>	<u>\$ 91,550</u>

On November 21, 2006, the City issued sewer revenue notes in the amount of \$1,120,000 for the construction costs and extensions to the Sewer System Utility. The notes bear interest of 3.00% mature annually and are secured by future net revenues of the Sewer System Utility. The revenue notes were issued under the provisions of Chapter 384.24A of the Code of Iowa and as such the principal and interest payments are payable solely from sewer revenues.

On July 15, 2007, the City issued a general obligation note for the 2007 Street Construction Project in the amount of \$405,000. The note bears interest of 4.25% and matures on December 1, 2017.

On March 12, 2009 the City issued a general obligation note in the amount of \$240,441 to purchase a fire truck. The note bears interest of 3.50% and was refinanced on October 27, 2009.

On October 27, 2009 the City refinanced the general obligation note issued on March 12, 2009 in the amount of \$140,825. The note bears interest of 4.00% and mature on June 1, 2019.

**CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 –NOTES PAYABLE (Continued)

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Note		Fire Truck Note		Sewer Revenue Note		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	38,000	13,701	13,550	3,450	40,000	26,100	91,550	43,251
2012	40,500	12,033	13,785	3,215	41,000	24,900	95,285	40,148
2013	40,500	10,312	14,353	2,647	42,000	23,670	96,853	36,628
2014	43,000	8,590	14,946	2,055	44,000	22,410	101,946	33,055
2015	45,500	6,710	15,562	1,438	45,000	21,090	106,062	29,238
2016-2020	123,750	7,995	23,493	1,112	246,000	84,390	393,243	93,497
2021-2025	-	-			286,000	45,180	286,000	45,180
2025-2027	-	-			126,000	5,700	126,000	5,700
Total	\$ 331,250	\$ 59,341	\$ 95,688	\$ 13,917	\$ 870,000	\$ 253,440	\$ 1,296,938	\$ 326,697

Note 4 – CONSTRUCTION COMMITMENTS

On June 30, 2010, the City had an uncompleted construction contract related to the pool project and the water tower painting project. The remaining commitment on the pool project is approximately \$863,915 and the remaining commitment for the water tower painting project is \$35,000. Both projects will be paid as work on the projects progresses.

Note 5 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$11,176, \$11,196 and \$9,706, respectively, equal to the required contributions for each year.

CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 6 – OTHER POST EMPLOYMENT BENEFITS

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$545 for single coverage and \$1,361 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$29,940 and plan members eligible for benefits contributed \$531 to the plan.

Note 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Enterprise Nonmajor: Recycle	\$ 4,500
Non-Major: Debt Service	General Fund	283,075
	Enterprise: Water	8,500
		<u>291,575</u>
Enterprise: Sewer	Nonmajor: TIF	9,951
Enterprise: Water	Nonmajor: TIF	9,950
	General Fund	5,000
		<u>14,950</u>
		<u><u>\$ 320,976</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 8 – SUBSEQUENT EVENTS

On August 3, 2010, the City issued a General Obligation Capital Loan Note, in the amount of \$600,000. The proceeds were used for the construction of a new pool. The note bears interest at the rate of 3.95% per annum, with annual payments and matures on June 1, 2030.

CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 – RISK MANAGEMENT

The city is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile, liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$27,302.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

CITY OF GEORGE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 – RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GEORGE, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 269,197	\$ -	\$ 269,197
Other City Tax	70,653	-	70,653
TIF Revenue	22,539	-	22,539
Licenses and Permits	3,509	-	3,509
Use of Money and Property	16,608	3,527	20,135
Intergovernmental	302,229	-	302,229
Charges for Service	13,170	282,895	296,065
Special assessments	1,108	-	1,108
Miscellaneous	113,365	10,986	124,351
Total Receipts	<u>812,378</u>	<u>297,408</u>	<u>1,109,786</u>
Disbursements:			
Public Safety	288,069	-	288,069
Public Works	172,931	-	172,931
Health and Social Services	-	-	-
Culture and Recreation	173,346	-	173,346
Community & Economic Development	34,555	-	34,555
General Government	95,662	-	95,662
Debt Service	339,731	-	339,731
Capital Projects	87,944	-	87,944
Business-Type Activities	-	307,505	307,505
Total Disbursements	<u>1,192,238</u>	<u>307,505</u>	<u>1,499,743</u>
(Deficiency) of Receipts (Under) Disbursements	(379,860)	(10,097)	(389,957)
Other Financing Sources (Uses), Net	<u>325,317</u>	<u>11,902</u>	<u>337,218</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(54,543)	1,805	(52,739)
Cash Balances Beginning of Year	<u>605,997</u>	<u>186,730</u>	<u>792,727</u>
Cash Balances End of Year	<u>\$ 551,454</u>	<u>\$ 188,535</u>	<u>\$ 739,988</u>

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 254,595	\$ 254,595	\$ 14,602
80,400	83,400	(12,747)
8,000	28,000	(5,461)
645	645	2,864
7,472	7,472	12,663
119,635	119,635	182,594
318,500	318,500	(22,435)
200	200	908
66,077	192,077	(67,726)
855,524	1,004,524	105,262
72,173	409,264	121,195
170,835	183,660	10,729
-	4,000	4,000
152,438	372,064	198,718
31,500	31,500	(3,055)
116,300	118,800	23,138
48,157	48,157	(291,574)
145,200	165,200	77,256
255,000	255,000	(52,505)
991,603	1,587,645	87,902
(136,079)	(583,121)	193,164
-	339,717	(2,500)
(136,079)	(243,404)	190,664
792,727	792,727	-
\$ 656,648	\$ 549,323	\$ 190,664

**CITY OF GEORGE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2010**

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursement for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$596,042. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development, debt service functions, and business type enterprises.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GEORGE, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Road Use Tax	Library	Special Revenue Tax Increment Financing	Employee Benefits	Debt Service	Capital Project	Total
Receipts:							
Property Tax	\$ -	\$ -	\$ -	\$ 21,176	\$ 47,944	\$ -	\$ 69,120
Tax Increment Financing	-	-	22,539	-	-	-	22,539
Use of Money and Property	-	291	57	48	80	156	632
Intergovernmental	97,493	-	-	-	-	-	97,493
Miscellaneous	-	2,477	-	-	-	71,754	74,231
Total Receipts	<u>97,493</u>	<u>2,768</u>	<u>22,596</u>	<u>21,224</u>	<u>48,024</u>	<u>71,910</u>	<u>264,015</u>
Disbursements:							
Public safety	-	-	-	74	-	-	74
Public Works	99,832	-	-	6,138	-	-	105,970
Culture and Recreation	-	7,383	-	7,668	-	-	15,051
Community Economic Development	-	-	4,425	-	-	-	4,425
General Government	-	-	-	4,007	-	-	4,007
Debt Service	-	-	-	-	339,731	-	339,731
Capital Projects	-	-	-	-	-	87,944	87,944
Total Disbursements	<u>99,832</u>	<u>7,383</u>	<u>4,425</u>	<u>17,887</u>	<u>339,731</u>	<u>87,944</u>	<u>557,202</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,339)	(4,615)	18,171	3,337	(291,707)	(16,034)	(293,187)
Other Financing Sources							
Operating Transfers In	-	-	-	-	291,575	-	291,575
Operating Transfers Out	-	-	(19,901)	-	-	-	(19,901)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(19,901)</u>	<u>-</u>	<u>291,575</u>	<u>-</u>	<u>271,674</u>
Net Change in Cash Balances	(2,339)	(4,615)	(1,730)	3,337	(132)	(16,034)	(21,513)
Cash Balances Beginning of Year	<u>23,998</u>	<u>35,300</u>	<u>3,477</u>	<u>4,347</u>	<u>3,104</u>	<u>25,604</u>	<u>95,830</u>
Cash Balances End of Year	<u>21,659</u>	<u>30,685</u>	<u>1,747</u>	<u>7,684</u>	<u>2,972</u>	<u>9,570</u>	<u>74,317</u>
Cash Basis Fund Balances							
Reserved for Debt Service	-	-	-	-	2,972	-	2,972
Unreserved:							
Special Revenue Funds	21,659	30,685	1,747	7,684	-	-	61,775
Capital Project Fund	-	-	-	-	-	9,570	9,570
Total Cash Basis Fund Balance	<u>\$ 21,659</u>	<u>\$ 30,685</u>	<u>\$ 1,747</u>	<u>\$ 7,684</u>	<u>\$ 2,972</u>	<u>\$ 9,570</u>	<u>\$ 74,317</u>

SCHEDULE 2

CITY OF GEORGE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise		
	Garbage	Recycle	Total
Operating Receipts:			
Use of Money and Property	\$ 94	\$ 61	\$ 155
Charges for Service	62,260	6,023	68,283
Total Operating Receipts	<u>62,354</u>	<u>6,084</u>	<u>68,438</u>
Operating Disbursements:			
Business-Type Activities	60,065	1,243	61,308
Total Operating Disbursements	<u>60,065</u>	<u>1,243</u>	<u>61,308</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>2,289</u>	<u>4,841</u>	<u>7,130</u>
Other Financing Sources (Uses)			
Operating Transfers Out	-	(4,500)	(4,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(4,500)</u>	<u>(4,500)</u>
Net Change in Cash Balances	2,289	341	2,630
Cash Balances Beginning of Year	<u>11,300</u>	<u>8,425</u>	<u>19,725</u>
Cash Balances End of Year	<u>13,589</u>	<u>8,766</u>	<u>22,355</u>
Cash Basis Fund Balances			
Unreserved	13,589	8,766	22,355
Total Cash Basis Fund Balances	<u>\$ 13,589</u>	<u>\$ 8,766</u>	<u>\$ 22,355</u>

**CITY OF GEORGE, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Debt:			
2007 Street Construction Loan	7/15/2007	4.25%	\$ 450,000
2009 Fire Truck	3/12/2009	3.50%	73,100
2009 Fire Truck	10/27/2009	4.00%	140,825
Total			
Revenue Notes:			
2006 Sewer Revenue Capital Loan	11/21/2006	3.00%	\$ 820,734
Total			

SCHEDULE 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 364,250	\$ -	\$ 33,000	\$ 331,250	\$ 15,157	\$ 1,634
73,100	167,341	240,441	-	3,384	-
-	140,825	45,137	95,688	2,613	319
<u>\$ 437,350</u>	<u>\$ 308,166</u>	<u>\$ 318,578</u>	<u>\$ 426,938</u>	<u>\$ 21,153</u>	<u>\$ 1,952</u>
\$ 909,000	\$ -	\$ 39,000	\$ 870,000	\$ 27,270	\$ 2,145
<u>\$ 909,000</u>	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ 870,000</u>	<u>\$ 27,270</u>	<u>\$ 2,145</u>

SCHEDULE 4

**CITY OF GEORGE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2010**

General Obligation Bonds					Revenue Note	
Year Ending June 30,	Construction Loan Issued July 15, 2007		Fire Truck Issued Oct 27, 2009		Sewer Revenue Notes Issued Nov 21, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	4.25 %	\$ 38,000	4.00 %	\$ 13,550	3.00 %	\$ 40,000
2012	4.25	40,500	4.00	13,785	3.00	41,000
2013	4.25	40,500	4.00	14,353	3.00	42,000
2014	4.25	43,000	4.00	14,946	3.00	44,000
2015	4.25	45,500	4.00	15,562	3.00	45,000
2016	4.25	48,000	4.00	15,473	3.00	46,000
2017	4.25	50,500	4.00	8,019	3.00	48,000
2018	4.25	25,250			3.00	49,000
2019					3.00	51,000
2020					3.00	52,000
2021					3.00	54,000
2022					3.00	55,000
2023					3.00	57,000
2024					3.00	59,000
2025					3.00	61,000
2026					3.00	62,000
2027					3.00	64,000
Total		<u>\$ 331,250</u>		<u>\$ 95,688</u>		<u>\$ 870,000</u>

See Accompanying Independent Auditor's Report



Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members of the City Council
The City of George
George, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of George, Iowa (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2010. The report on the basic financial statements was qualified because we were unable to satisfy ourselves about the beginning individual fund balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses..

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item II-A-10 and II-B-10 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclose no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 15, 2010

**CITY OF GEORGE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Part I: Summary of the Independent Auditors' Results

- (a) A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

- II-A-10 Segregation of Duties – During our review of the internal control structure, the existing procedures were evaluated and it was determined that incompatible duties, from a control standpoint, are being performed by the same employee. Segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements.

Recommendation – We realize segregation of duties is difficult with limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City feels that additional personnel would not be cost effective. However, they will review and procedures and investigate available alternatives.

Conclusion – Response accepted

- II-B-10 Financial Reporting – During the audit, we identified several errors in posting of revenues and expenditures. Therefore, we proposed several adjusting journal entries some of which were material.

Recommendation – The City should follow the uniform chart of accounts to ensure that all entries are recorded in the proper accounts.

Response – The City will implement procedures to ensure disbursements and receipts are posted to the proper account.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-10: Certified Budget – Although the budget was amended on May 12, 2010, the amendment occurred after disbursements exceeded the original budget for the Public Safety function, Health and Social Services function and Culture and Recreation function. Also, total disbursements for the year ended June 30, 2010, exceeded the amount budgeted in the Community and Economic Development function, Debt Service function, and Business Type Activities function.

Recommendation – Although the budget was amended in accordance with Chapter 384.18 of the Code of Iowa, care should have been taken to ensure that the amendment is done prior to disbursements exceeding the original budget and that the amendment is sufficient to prevent disbursements from exceeding the amended budget.

Response – The City will make an effort to amend the budget before disbursements are exceeded and will ensure the amended budget has disbursements high enough so that they are not exceeded.

Conclusion – Response accepted.

- IV-B-10: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- IV-C-10: Travel Expense – No expenditures of the City were for travel expenses of spouses of the City officials or employees.
- IV-D-10: Business Transactions – No business transactions between the City officials or employees were noted.
- IV-E-10: Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operation.
- IV-F-10: Council Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- IV-G-10: Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 128 and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-10: Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.